

## STATE BOARD OF ELECTIONS (D38I01)

### RESPONSE TO DEPARTMENT OF LEGISLATIVE SERVICES FISCAL YEAR 2005 BUDGET ANALYSIS

#### *Analysis – Recommended Actions:*

1. Reduce general funds for federal Help America Vote Act activities.
  - Fiscal Year 2004 - \$1,847,000
  - Fiscal Year 2005 - \$670,000
2. Adopt narrative requesting the State Board of Elections to report back to the committees on a report updating the cost of implementing the State Plan.

#### *Agency Response:*

1. The State Board of Elections (SBE) does not advise implementing the recommendations of the Department of Legislative Services (DLS) analysis and would like to take this opportunity to discuss the consequences of immediately spending all of the available federal funds.

The DLS analysis recommends replacing \$1.8 million of general funds with federal funds in the current fiscal year. However, these federal funds have been earmarked for specific HAVA requirements and in the current fiscal year a significant amount of the federal funds have already been diverted from the planned budget due to the security concerns surrounding the statewide voting system.

SBE has spent \$330,708 in the current fiscal year in response to the security concerns. Another \$406,934 is expected to be spent for a total of \$737,642. These expenditures were not included in the State Plan because they were not a requirement at the time the State Plan was developed. (Security costs: \$35,000 – tamper tape for the voting units; \$23,716 – Chief Information Systems Security Officer; \$42,000 – security keys for the voting units; \$169,212 – reimburse DBM for the SAIC report; \$250,554 – Independent Verification and Validation of the voting units; and \$217,160 – Security Engineers to ensure compliance with the State IT Security Policy.)

The DLS analysis also recommends replacing \$670,000 of general funds in the HAVA program with federal funds in fiscal year 2005. In that fiscal year, the State is responsible for payments totaling \$4,327,575 for the statewide voting system (one-half of the Phase I voting system lease payments plus one-half of the estimated voting system operating expenses). However, because the general fund allowance for this expense is only \$1,799,726, SBE will already have to tap the HAVA fund for \$2,527,849 to cover the difference.

If these recommendations are not implemented and SBE retains its general fund allowance, a federal fund balance will be available in the election fund. This will provide the flexibility necessary to become and remain HAVA compliant by providing SBE the ability to respond quickly to election reform needs. For example, SBE used federal funds to cover the cost of addressing the security concerns surrounding the statewide voting system. If SBE had not had these funds available, additional general funds would have been required.

An additional positive aspect of a federal fund balance would be the ability to cover project costs that are more expensive than originally projected or were not requirements at the time the budget was developed. One of the more costly HAVA requirements is the statewide voter registration system - SBE originally estimated the project development costs to be between \$6 and \$12 million, but based on the experience of other states, the cost may be higher than that amount. SBE expects to spend more funds to continue implementing security procedures identified in the various analyses on the State's new voting system and as pointed out in the DLS analysis, the Election Assistance Commission may create requirements that could increase expenditures. It should also be noted that the HAVA requirements will require maintenance costs in the out years.

The State Board of Elections respectfully requests that the Budget Committees not accept the recommendations of the DLS analysis and instead choose to maintain the SBE budget as submitted as part of the Governor's Allowance as well as the current year appropriation.

2. The State Board of Elections agrees to report back to the committees with an update of the cost of implementing the State Plan by December 1, 2004.

#### *Analysis – Issues:*

1. HAVA dollars have not come yet but they will.
2. When the HAVA dollars arrive, relief may be short-lived.

#### *Agency Response:*

1. The State Board of Elections agrees that the federal funds received under HAVA will allow the State to make choices about when it has to spend general funds. However, as stated above, SBE disagrees with the analysis about how to spend the general funds. SBE's long-term approach includes delivering the highest possible return on the federal funds by sharing expenses with the general fund in the short-term.
2. The State Board of Elections agrees with the analysis when it discusses the rising costs of operating a modern election system.